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# Farm-Mortgage Lending

Experience of 21 Life Insurance Companies,  
Federal Land Banks, and  
Farmers Home Administration  
APRIL THROUGH JUNE 1962

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Farm Economics Division, Economic Research Service, USDA

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Farm-mortgage lending continued high in the second quarter of 1962. The dollar volume of loans made by the reporting life insurance companies and Farmers Home Administration (FHA) was higher than in the corresponding quarter of 1961; loans made by the Federal land banks receded slightly from the exceptionally high level of a year earlier. For the three reporting as a group, lending in the second quarter of 1962 was 3 percent higher than in the second quarter of 1961, which in turn had been 36 percent above the second quarter of 1960.<sup>1/</sup>

Payments on mortgage loans in the second quarter of 1962 were about 9 percent higher than in the second quarter of 1961. Since the amount in outstanding loans was also 9 percent higher in 1962, the repayment rate was the same for both quarters. Loans in process of foreclosure and those with interest overdue were at low levels in both periods.

Outstanding loans held by the three lenders increased by \$170 million or 2.6 percent during the second quarter of 1962, compared with an increase of \$175 million (3.0 percent) during the second quarter of 1961, and \$121 million (2.2 percent) during the second quarter of 1960.

FHA direct mortgage loans have continued to increase rapidly. In the first half of 1962, FHA made loans totaling \$66 million compared with \$40 million in the first half of 1961, and \$30 million in the first half of 1960. From the first half of 1960 to the first half of 1962 the FHA portion of total mortgage loans made by the three lenders rose to 9.3 percent from 5.7 percent. During this period Federal land bank loans decreased to 49 percent from 51 percent and life insurance company loans to 42 percent of the total from 44 percent.

FHA direct mortgage loans include both farm-ownership loans and rural-housing loans. Of the \$588 million in loans outstanding on June 30, 1962, \$303 million were rural-housing loans and \$285 million were farm-ownership

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<sup>1/</sup> The FHA data shown here refer to loans made and held by the FHA; insured loans are not included.

loans. From June 30, 1961, to June 30, 1962, outstanding rural-housing loans increased \$91 million, while farm-ownership loans rose only \$10 million.

The rural-housing program was enlarged in October 1961 to permit making loans on nonfarm properties in small towns and rural areas. Approximately one-half of the loans made in the 1962 fiscal year were for nonfarm housing.

Not shown in the tables in this report are the farm-mortgage loans in the FHA insured-loan program. These loans, most of which are to individuals, are held largely by institutional lenders. The volume of such loans has risen considerably since September 1961, when the return to holders was increased to  $4\frac{1}{2}$  percent from 4 percent. On June 30, 1962, outstanding insured loans to individuals were \$334 million, an increase of \$125 million from a year earlier. In the year ending June 30, 1961, the increase was only \$8 million.

Interest rates charged on farm-mortgage loans have been unusually stable during the last 12 months. Since July 1, 1961, 10 of the Federal land banks have charged  $5\frac{1}{2}$  percent, one has charged  $5\frac{3}{4}$  percent, and one 6 percent. The average interest rate charged by the life insurance companies on farm-mortgage loan commitments remained at about 5.8 percent. Interest rates on FHA farm-ownership loans continued at 5 percent and on rural-housing loans at 4 percent.

The following tables compare farm-mortgage lending activity of the three lender groups for selected periods of 1961 and 1962.

Table 1.--Life insurance companies: Farm-mortgage loans, 21 companies, United States, selected quarters, 1961 and 1962

Item	Quarter ending--			Percentage change, quarters ending--	
	June 30, 1961	Mar. 31, 1962	June 30, 1962	June 30, 1961, and June 30, 1962	Mar. 31 and June 30, 1962
				Percent	Percent
<u>Beginning of Quarter</u>					
Mortgages owned:					
Number-----	193,540	193,638	1/ 192,806	-0.4	-0.4
Principal indebtedness:					
Total-----1,000 dollars--	2,809,875	2,967,700	2/ 2,998,805	6.7	1.0
Average-----dollars--	14,520	15,330	15,550	7.1	1.4
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	3,890	4,609	3,886	-.1	-15.7
Principal indebtedness:					
Total 3/-----1,000 dollars--	110,121	136,842	116,676	6.0	-14.7
Average 4/-----dollars--	23,270	25,120	5/ 24,600	5.7	-2.1
Increase in principal of mortgages already owned 4/-----1,000 dollars--	18,368	24,007	21,582	17.5	-10.1
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	3,357	5,420	3,333	-.7	-38.5
Amount:					
Total 6/-----1,000 dollars--	35,684	68,932	38,537	8.0	-44.1
Average 7/-----dollars--	9,950	10,420	10,810	8.6	3.7
Other 7/-----1,000 dollars--	21,791	60,793	22,258	2.1	-63.4
Total-----do-----	57,475	129,725	60,795	5.8	-53.1
Percent of principal indebtedness, beginning of quarter-----	2.0	4.4	2.0	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	4	3	3	-25.0	0
Principal indebtedness:					
Total-----1,000 dollars--	62	25	19	-69.4	-24.0
Average-----dollars--	15,500	8,330	6,330	-59.2	-24.0
<u>End of Quarter</u>					
Mortgages owned:					
Number 8/-----	194,065	192,807	193,349	-.4	.3
Principal indebtedness:					
Total-----1,000 dollars--	2,880,827	9/ 2,998,812	3,076,249	6.8	2.6
Average-----dollars--	14,850	15,550	15,910	7.1	2.3
Mortgages in process of foreclosure:					
Number 10/-----	83	74	87	4.8	17.6
Percent of total-----	11/	11/	11/	---	---
Principal indebted-					
ness 10/-----1,000 dollars--	1,582	2,206	1,916	21.1	-13.1
Percent of total-----	.1	.1	.1	---	---
Mortgages with interest overdue more than 3 months:					
Number 10/-----	550	371	509	-7.5	37.2
Percent of total-----	.3	.2	.3	---	---
Principal indebted-					
ness 10/-----1,000 dollars--	12,108	9,011	10,927	-9.8	21.3
Percent of total-----	.4	.3	.4	---	---
Mortgage-loan commitments during quarter:					
Number-----	4,910	6,240	4,962	1.1	-20.5
Amount:					
Total-----1,000 dollars--	140,854	188,027	153,818	9.2	-18.2
Average-----dollars--	28,690	30,130	31,000	8.1	2.9

1/ Because of consolidation and/or splitting of loans there was a net decrease of 1 loan. 2/ Because of consolidation and/or splitting of loans there was a net decrease of \$7,000. 3/ Includes increase in principal indebtedness of mortgages already owned for 2 companies. 4/ 19-company data. 2 companies did not separate principal of farm mortgages acquired and increase in principal of mortgages already owned. 5/ Excludes 1 large loan. 6/ Includes principal payments on farm mortgages not paid in full for 2 companies. 7/ 19-company data. 2 companies did not separate principal payments on mortgages paid in full from payments on other mortgages not paid in full. 8/ Because of consolidation and/or splitting of loans, there was a net decrease of 4 loans in the 2d quarter of 1961, 17 loans in the 1st quarter of 1962, and 7 loans in the 2d quarter of 1962. 9/ Because of consolidation and/or splitting of loans, there was a net increase of \$13,000. 10/ 20-company data. Comparable data not available for 1 company. 11/ Less than 0.05 percent.

Table 2.--Life insurance companies: Purposes of farm-mortgage-loan commitments, 20 companies, United States, selected quarters, 1961 and 1962

Item	Quarter ending--				
	June 30, 1961	Sept. 30, 1961	Dec. 31, 1961	Mar. 31, 1962	June 30, 1962
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Amount of commitments-----	140,848	141,722	168,329	187,985	153,818
Percentage of total funds committed for--	Percent	Percent	Percent	Percent	Percent
Farm real estate purchases-----	30.5	30.3	34.0	30.0	32.5
Refinancing 1/--					
Mortgages held by--					
Own company-----	20.1	20.8	20.2	25.4	22.2
Others-----	12.7	11.4	13.8	13.2	11.9
Total-----	32.8	32.2	34.0	38.6	34.1
Other indebtedness-----	19.5	18.4	18.6	16.4	18.7
Total refinancing-----	52.3	50.6	52.6	55.0	52.8
Repairs and improvements to land and buildings-----	7.3	9.0	6.1	6.4	7.2
Other purposes:					
Known-----	9.9	9.9	7.3	8.6	7.5
Unknown-----	2/	.2	2/	2/	2/
All purposes-----	100.0	100.0	100.0	100.0	100.0

1/ Distribution between mortgages held by own company and by others estimated for 2 companies; distribution of debt refinancing between real estate mortgages held by others and other indebtedness estimated for another.

2/ Less than 0.05 percent.

Table 3.--Life insurance companies: Interest rates on farm-mortgage-loan commitments, April 1 through June 30, 1962 1/

Interest rate	Loans		Amount		Average size of loan
	Number	Percentage distribution	Total	Percentage distribution	
		Percent	Dollars	Percent	Dollars
5 percent or less-----	16	0.7	270,857	0.3	16,930
5 1/4 percent-----	22	.9	811,900	1.0	36,900
5 1/2 percent-----	778	32.2	18,583,735	22.9	23,890
5 3/4 percent-----	443	18.3	18,682,113	23.0	42,170
6 percent-----	980	40.6	33,887,742	41.8	34,580
6 1/4 percent-----	73	3.0	3,999,299	4.9	54,780
6 1/2 percent-----	95	3.9	3,932,658	4.9	41,400
6 3/4 percent and over--	9	.4	1,002,000	1.2	2/ 40,880
Total or average-----	2,416	100.0	81,170,304	100.0	2/ 33,330

1/ The weighted average interest rate, based on 3,024 loans and a total amount committed of \$93,607,680, is 5.844 percent.

2/ Excludes 1 loan in the amount of \$675,000.

Table 4.--Federal land banks: Farm-mortgage loans, United States, Jan. 1, 1961, through June 30, 1962 1/

Item	6 months ending--			Percentage change, 6 months ending--	
	June 30,	Dec. 31,	June 30,	June 30,	Dec. 31,
	1961	1961	1962	1961, and June 30, 1962	1961, and June 30, 1962
<u>Beginning of Period</u>				<u>Percent</u>	<u>Percent</u>
Loans outstanding: 2/					
Number-----	375,868	379,958	379,940	1.1	3/
Principal indebtedness:					
Total-----1,000 dollars--	2,563,772	2,727,547	2,827,973	10.3	3.7
Average-----dollars--	6,820	7,180	7,440	9.1	3.6
<u>During Period</u>					
Loans made: 4/					
Number-----	27,046	22,170	24,559	-9.2	10.8
Principal indebtedness:					
Total-----1,000 dollars--	343,267	289,250	346,850	1.0	19.9
Average-----dollars--	12,690	13,050	14,120	11.3	8.2
Other increases: 5/					
Number-----	90	64	63	-30.0	-1.6
Amount:					
Total-----1,000 dollars--	960	639	889	-7.4	39.1
Decreases:					
Principal repayments: 6/					
Total-----1,000 dollars--	100,010	115,647	120,490	20.5	4.2
Percent of unpaid principal, beginning of period--	3.9	4.2	4.3	---	---
Other: 7/					
Number-----	11,982	10,334	11,566	-3.5	11.9
Amount:					
Total-----1,000 dollars--	80,442	73,816	86,784	7.9	17.6
Average-----dollars--	6,710	7,140	7,500	11.8	5.0
Paid in full:					
Number-----	11,064	11,918	11,849	7.1	-6
Farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	29	17	26	-10.3	52.9
Principal indebtedness:					
Total-----1,000 dollars--	321	119	192	-40.2	61.3
Average-----dollars--	11,070	7,000	7,380	-33.3	5.4
<u>End of Period</u>					
Loans outstanding: 2/					
Number-----	379,958	379,940	381,147	.3	.3
Principal indebtedness:					
Total-----1,000 dollars--	2,727,547	2,827,973	2,968,438	8.8	5.0
Average-----dollars--	7,180	7,440	7,790	8.5	4.7
Delinquent or extended:					
Number-----	15,150	20,747	15,028	-.8	-27.6
Percent of total-----	4.0	5.5	3.9	---	---
Matured principal unpaid:					
Total-----1,000 dollars--	3,314	5,553	3,602	8.7	-35.1
Average-----dollars--	220	270	240	9.1	-11.1
Called for foreclosure:					
Number-----	189	189	178	-5.8	-5.8
Principal indebtedness:					
Total-----1,000 dollars--	1,077	1,034	1,149	6.7	11.1
Average-----dollars--	5,700	5,470	6,460	13.3	18.1
Farm properties owned:					
Number-----	34	27	35	2.9	29.6
Principal indebtedness:					
Total-----1,000 dollars--	316	263	310	-1.9	17.9
Average-----dollars--	9,290	9,740	8,860	-4.6	-9.0

1/ Includes Puerto Rico and Alaska. 2/ Excludes loans called for foreclosure. 3/ Less than 0.05 percent.

4/ Gross number and amount of all loans made including new loans which replaced old loans, and loans canceled prior to disbursement of loan proceeds. 5/ Increase in number or amount of loans, or both, by reason of reamortization, reinstatements, and so on. 6/ Consists of principal matured and paid in advance, special principal payments, and loans paid off prior to maturity, plus net decrease or minus net increase in principal matured and unpaid during period. Principal matured and unpaid was \$3,313,653 on June 30, 1961, \$5,552,645 on Dec. 31, 1961, and \$3,601,983 on June 30, 1962. 7/ Includes loans replaced by new loans, loans canceled prior to disbursement of loan proceeds, loans canceled by deed, loans called for foreclosure, and loans charged off.

Farm Credit Administration - Accounting and Budget Division.



Table 5.--Farmers Home Administration: Direct farm-ownership and rural-housing loans, United States, selected quarters, 1961 and 1962 <sup>1/</sup>

Item	Quarter ending--			Percentage change, quarters ending--	
	June 30, 1961	Mar. 31, 1962	June 30, 1962	June 30, 1961, and June 30, 1962 <sup>2/</sup>	Mar. 31 and June 30, 1962
<u>Beginning of Quarter</u>				<u>Percent</u>	<u>Percent</u>
Mortgages owned:					
Number-----	63,693	70,041	73,068	14.7	4.3
Principal indebtedness----1,000 dollars--	470,305	542,314	565,543	20.3	4.3
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	2,283	3,897	3,214	40.8	-17.5
Principal indebtedness----1,000 dollars--	21,830	34,149	30,336	39.0	-11.2
Increase in principal of mortgages already owned-----1,000 dollars--	1,882	1,116	599	-68.2	-46.3
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	692	857	629	-9.1	-26.6
Amount-----1,000 dollars--	3,275	3,601	2,963	-9.5	-17.7
Other-----do-----	3,351	8,388	5,010	49.5	-40.3
Total-----do-----	6,626	11,989	7,973	20.3	-33.5
Percent of principal indebtedness, beginning of quarter-----	1.4	2.2	1.4	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	28	13	39	39.3	200.0
Principal indebtedness----1,000 dollars--	110	47	280	154.5	495.7
<u>End of Quarter</u>					
Mortgages owned:					
Number-----	65,256	73,068	75,614	15.9	3.5
Principal indebtedness----1,000 dollars--	487,281	565,543	588,225	20.7	4.0
Mortgages behind schedule in regard to amortization payments:					
Number-----	4,142	2,542	4,847	17.0	90.7
Percent of total-----	6.3	3.5	6.4	---	---
Principal indebtedness----1,000 dollars--	34,238	22,286	41,387	20.9	85.7
Percent of total-----	7.0	3.9	7.0	---	---
Mortgages in process of foreclosure:					
Number-----	64	72	70	9.4	-2.8
Percent of total-----	.1	.1	.1	---	---
Principal indebtedness----1,000 dollars--	712	775	779	9.4	.5
Percent of total-----	.1	.1	.1	---	---
Mortgage-loan commitments during quarter: <sup>3/</sup>					
Farm-ownership loans:					
Number-----	84	84	831	<sup>4/</sup>	<sup>4/</sup>
Amount:					
Total-----1,000 dollars--	1,424	665	13,103	<sup>4/</sup>	<sup>4/</sup>
Average-----dollars--	16,950	7,920	15,770	-7.0	99.1
Rural-housing loans:					
Number-----	3,634	2,842	2,388	-34.3	-16.0
Amount:					
Total-----1,000 dollars--	30,970	26,102	22,566	-27.1	-13.5
Average-----dollars--	8,520	9,180	9,450	10.9	2.9

<sup>1/</sup> Data for 48 States only. Separate data for farm-ownership and rural-housing loans are available upon request.

<sup>2/</sup> Data for the quarter ending June 30, 1962, are not strictly comparable with data for the quarter ending June 30, 1961, because of the expansion in 1961 of the farm-housing provisions of the Housing Act of 1949 to include housing loans to individuals residing in certain rural areas.

<sup>3/</sup> Initial loans obligated.

<sup>4/</sup> More than 500 percent.

Farmers Home Administration.



Table 6.--Farmers Home Administration: Purposes of farm-mortgage-loan commitments, direct farm-ownership loans, United States, selected periods, 1959 through 1962 1/

Item	July 1, 1959, to June 30, 1960	July 1, 1960, to June 30, 1961	July 1, 1961, to June 30, 1962
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Percentage of total funds committed for--			
Farm real estate purchases-----	49	35	46
Refinancing--			
Mortgages held by--			
Farmers Home Administration---	0	2	0
Others-----	29	35	34
Total-----	29	37	34
Other indebtedness-----	3	7	0
Total refinancing-----	31	44	34
Repairs and improvements to land and buildings-----	18	20	19
Other purposes:			
Known-----	1	1	1
Unknown-----	0	0	0
All purposes-----	100	100	100

1/ Data for 48 States only.

Farmers Home Administration.



Growth Through Agricultural Progress